

**USAID/Serbia**  
**ANNUAL REPORT FY 2003**

3/13/2003

## **Please Note:**

The attached RESULTS INFORMATION is from the FY 2003 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:

USAID Development Experience Clearinghouse

1611 N. Kent Street, Suite 200

Arlington, VA 22209-2111

Telephone: 703-351-4006 Ext 106

Fax: 703-351-4039

Email: [docorder@dec.cdie.org](mailto:docorder@dec.cdie.org)

Internet: <http://www.dec.org>

Portions released on or after July 1, 2003

## **A. Program Level Narrative**

### **Program Performance Summary:**

Background: USAID-managed assistance in the FRY dates back to the partnerships developed in 1997 to 1998. It was expanded by new commitments to support democracy on July 31, 1999 and subsequent to the peaceful revolution of the people of Serbia on October 5, 2000 that overthrew the Milosevic regime.

The program managed by the United States Agency for International Development in the FRY in FY 2002 pursued five Strategic Objectives in the Republic of Serbia. These Objectives advanced ten U.S. International Affairs Strategic Goals: regional stability; democracy and human rights; economic development; global growth and stability; counter terrorism; humanitarian assistance; open markets; U.S. exports; reduction of illegal drugs; and environmental improvement. Although focused on strengthening democracy and governance (included the Agency's Democracy, Conflict and Humanitarian Assistance Pillar), the program also supported the Agency's Economic Growth, Agriculture and Trade Pillar through significant support for encouraging broad-based economic growth and contributions to human capacity building and environmental protection.

The past year has been one of severe challenges both economically and politically. In some respects FY 2002 saw a consolidation of the gains made by democratic authorities in the Federal Republic of Yugoslavia, since the overthrow of Slobodan Milosevic in October 2000. While political and economic reforms continued in numerous areas, political infighting between Serbia's ruling Democratic Opposition of Serbia Coalition (DOS -- led by Serbian Premier Zoran Djindjic) and the Democratic Party of Serbia (DSS -- led by FRY President Vojislav Kostunica) intensified throughout the period and placed continued reforms at risk.

In March 2002 the FRY passed a groundbreaking law on ethnic minorities, which has already led to the adoption of minority languages as official for the first time in some municipalities. This law is also worthy of note in that it made special reference to the FRY's sizeable Roma community.

The peace achieved in Southern Serbia in May 2001 through FRY and Serbian government cooperation with the International Community was strengthened during FY 2002. An amnesty law for former rebels was passed, as was a reform law on local elections for Serbia. The former was a key confidence building measure while the latter set the stage for all party elections in July and August 2002 which returned multi-ethnic municipal legislatures in Presevo, Medvedja and Bujanovac and ethnic Albanian mayors in Presevo and Bujanovac.

In May, Yugoslavia successfully completed a one-year IMF Stand-by arrangement and secured the approval of the IMF Board for a three-year \$829 million Extended Fund Facility (EFF) that provides important targets and financial support for further reform. Agreement on the EFF also triggered a 51-percent reduction of Yugoslavia's official debt in the first stage of implementation of a November 2001 agreement with the Paris Club group of official creditors that will eventually reduce about \$4.5 billion in Yugoslav official debt by 66 percent. Also in May, the dinar became convertible for all current foreign transactions, fulfilling the obligations under Article VIII of IMF Articles of Agreement. In its first review under the EFF in November 2002, the IMF reported that macro-economic policies remained on-track and indicated general satisfaction with economic performance.

FRY economic reform is at a critical juncture of moving from macroeconomic stabilization to addressing the microeconomic deficiencies typical of a transition economy. Fragile economic gains are heavily dependent on continued donor support, uncertain privatization revenues, a political and social environment supportive of continued fiscal discipline and significant recovery of productive and export capacity. High public expectations for a quick economic turnaround following the ouster of Milosevic and removal of international sanctions have not yet been met, and increasing demands for wage increases and more attention to the social costs of transition are putting heavy pressure on already overextended budgets.

Serbia continued to make significant progress on an ambitious economic reform program in 2002, but the economy remains weak and vulnerable to reform delays and external shocks. Per capita GDP remains less than half of the 1989 level, unemployment is near 30 percent, trade deficits are growing and industrial production has only recently begun to improve. The economy should grow by four percent in 2002, but from a very low base. The FRY will need to register stronger GDP growth over the next several years in order to meet domestic and external obligations.

The key economic achievement of 2002 was strengthening basic macro-economic stability. Continued tight fiscal and monetary policy succeeded in further reducing inflation in Serbia from 38 percent in 2001 to an expected 15.5 percent for 2002. The National Bank of Yugoslavia was able to keep the exchange rate of the dinar virtually fixed against the Euro, providing citizens with a welcome measure of stability following years of hyperinflation. The benefits for average citizens of lower inflation and a stable currency, however, have largely been offset by the burden of higher costs for utilities and other basic goods following price liberalization. Progress on economic reforms was hampered during the year by disputes and uncertainties in the political environment.

**U.S. Interests and Goals:** U.S. assistance to the Federal Republic of Yugoslavia (FRY) is based on fundamental U.S. national interests in Europe. The FRY is crucial to the economic development of Southeast and Central Europe and to the political stability of Europe as a whole. As a social, political and geographic crossroad amid Western and Eastern Europe, Turkey, and Greece, the FRY occupies a key geographic juncture in the Balkans.

The U.S. Departments of State, Treasury, Agriculture and Commerce are all presently working together in delivery of assistance for the achievement of U.S. objectives.

**Donor Relations:** The European Agency for Reconstruction (EAR) and European governments supported Serbia with 170 million Euros in 2002. This year's program moved away from rehabilitation support energy (spare parts, generation and distribution), to more longer-term development, placing heavy emphasis on institution building and the reform process. In 2002, Yugoslavia successfully completed a one-year IMF Stand-by arrangement and secured the approval of the IMF Board for a three-year USD 829 million Extended Fund Facility (EFF) that provides important targets and financial support for further reform. The European Bank for Reconstruction and Development (EBRD) has identified 350 million Euros in private sector investments in energy, transport, municipal infrastructure, the financial sector and private enterprise. All of the donors above compliment USAID efforts in policy reform, civil society, and rule of law. Further, our programs are coordinated and integrate with Serbia's long-term goal of joining the EU.

**Challenges:** The key challenges ahead are preservation and consolidation of macro-economic gains through fiscal discipline and prudent monetary policy and accelerated reform of the real sector to increase industrial output and employment. Large socially-owned enterprises must be restructured and privatized or closed. Further bank restructuring and regulatory strengthening is needed to increase public confidence and get credit flowing. Institutional strengthening is needed to give ministries the capacity and personnel to ensure effective implementation of numerous new laws and regulations. Legal and judicial reform is needed to create a transparent and predictable environment conducive to new business growth.

**Key Achievements:** FY 2002 was a year of steady progress in moving Serbia politically and economically toward the EU. In some respects FY 2002 saw a consolidation of the gains made by democratic authorities in the Federal Republic of Yugoslavia, since the overthrow of Slobodan Milosevic in October 2000. Significant gains were made this year on various policy issues, such as the law on local government, law on ethnic minorities, financial sector reform and trade liberalization. This effectiveness was due in large measure to the hard work done by USAID and the FRY governments acceptance and desire to move toward the EU. Further, success in our program was provided through support to address key elements of the economy dealing with economic reform and focusing on strengthening those institutions that will promote and sustain economic reform and the transition from a socialist to a market economy. The challenge in the coming years will be to sustain the resource levels for civil society, the rule of law, and macro policy reform activities.

1. The Community Revitalization through Democratic Action (CRDA) Program, which was initiated in the latter half of FY 2001 is a unique civil society program that has done much more than deliver tangible results, such as water supply, electricity, roads, schools, clinics and jobs to improve quality of life-- it has engaged the citizens of these communities in a new development and decision-making process and is thereby changing the dynamic of municipalities in Serbia. The CRDA program has become the U.S. Government's most visible and popular program in Serbia. By the end of FY 2002, the five American PVOs implementing the CRDA Program were active in 324 communities scattered throughout Serbia. Of the 870 community projects initiated during the initial 12-month period, over 700 have been completed. Another 1,000 projects will be initiated during the second year, many of which have already been started. The scale and rapidity of the implementation of CRDA exceeds that of any other program of this type and is reflected in the fact that over 90 percent of the funding was expended within a year of obligation. The response of the communities has been extraordinary. They have contributed a third of the project costs from non-USAID resources. Although the communities are highly appreciative and are desperately in need of the schools, clinics, roads, bridges, water supply systems and income-generating activities funded by the CRDA Program, the citizens consistently report that the most important aspect of the program is that for the first time they are being heard. The program provides citizens with a means to voice their concerns and priorities. CRDA projects are bridging traditional ethnic divisions as community councils realize that citizens' priorities are often the same. By getting people to work together towards a common goal, the program is helping to build a sense of trust and cooperation between different ethnic and religious groups, particularly in Southern Serbia.

2. The Serbian Local Government Reform Program, which was launched to bolster the management capacity of local governments and to increase transparency and citizen involvement in local decision-making, is presently working in 19 municipalities and is about to expand its operations to another 14 local governments. During the first year of operation, 129 training sessions, attended by 3,908 participants, were held to improve the management capacities of local government staff. Slightly more than half of these participants were women, reflecting the important role that they play in local government administration. This training includes financial management, public services management, information technology applications, and citizen participation. In addition, public-private partnerships to create business improvement districts have been established in two municipalities. Two more will be commenced during the second year. Municipal information centers and/or one-stop permitting centers are being set up in four municipalities and will also be undertaken in an additional four municipalities during the second year. The Association of Municipalities and Towns is receiving technical assistance and support to enable it to become an effective representative of local governments as well as a provider of services and information to its membership. At the national level, the Serbian Local Government Reform Program has been providing the Ministries of Finance and Local Government with technical assistance on decentralization policy reforms. This work has included assistance in identifying appropriate approaches to decentralization and the drafting of legislation to transfer responsibilities, resources and authority to local governments.

3. USAID rule of law assistance helped to support a draft code of conduct for the judiciary, the initiation of a continuing legal education program, media bench-bar activities, and continuing institutional development assistance for Serbia's independent judges' association. A legal aid program was launched in Southern Serbia focusing on human rights cases, primarily concerning ethnic Albanians in the region.

4. Under newly-ratified regulations, USAID has assisted licensed banks in adopting International Accounting Standards which will reduce financial crime in the banking system. In 2002, USAID worked with the U.S. Treasury Department and host-country counterparts to create a Federal Commission for the Prevention of Money Laundering (FIU). With a skeleton staff, the FIU processed more than 6,000 currency reports and a half-dozen suspicious transactions reports in its first full quarter of existence. Over the past year, USAID implementers also worked with the Government to found a Public Procurement Office and to strengthen the Anti-Monopoly Commission, each of which will further contribute to reducing financial crime and corruption.

**Environmental Compliance:** The mission reviewed all strategic objectives and determined that all current activities are in compliance with approved Initial Environmental Examinations (IEEs), Environmental Assessments, and Categorical Exclusions and all required mitigations and conditions are being followed.

#### **Country Closeout & Graduation:**

#### **D. Results Framework**

##### **169-0130 Accelerated Development and Growth of Private Enterprise**

- 169-0131 Financial and banking systems stabilized and restructured
- 169-0132 State and socially-owned enterprises privatized
- 169-0133 Commercial and related laws enhanced and strengthened
- 169-0314 FRY/Serbian economy reconnected to international and regional market networks

##### **Discussion:**

##### **169-0200 More Effective, Responsive, and Accountable Democratic Institutions**

- 169-0201 capacity and competitiveness of independent media enhanced
- 169-0202 civil society, political party and trade union capacity to serve and represent citizens strengthened
- 169-0203 rule of law increased

##### **Discussion:**

##### **169-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision Making**

- 169-0211 citizens improve their living conditions through participation in Community Development Committees
- 169-0212 improved interaction between citizens and local government
- 169-0213 transparent financial management and improved service delivery by local governments
- 169-0214 broadened minority participation in the political process and decision making

##### **Discussion:**

##### **169-0230 More Effective, Responsive and Accountable Local Government**

##### **Discussion:**

##### **169-0310 Humanitarian Community Services and Facilities**

##### **Discussion:**

##### **169-0410 Special Initiatives**

##### **Discussion:**

##### **169-0420 Cross-Cutting Programs**

##### **Discussion:**

##### **169-2300 More Effective, Responsive and Accountable Local Government**

**Discussion:**

## Selected Performance Measures - Serbia

3/13/2003 12:39:44 PM

Indicator (all data should pertain to FY or CY 02)	OU Response	Significant Result: Description of the significant result for a strategic objective	Data Quality Factors: Information relevant to the collection of this indicator data, e.g. "this data was not collected last year because it is only collected every five years."
Pillar I: Global Development Alliance			
Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?			
a. How many alliances did you implement in 2002? (list partners)			
b. How many alliances do you plan to implement in FY 2003?			
What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?			
Pillar II: Economic Growth, Agriculture and Trade			
USAID Objective 1: Critical, private markets expanded and strengthened			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
169-0130 Accelerated Development and Growth of Private Enterprise	Yes	<p>Projects launched under SO 169-0130 are intended to accelerate the growth of the private sector and comprise both macro-economic and enterprise-level initiatives. Of greatest potential impact, USAID was foremost among all donors in supporting the government in dismantling the Central Payments Bureau, also known as ZOP. The ZOP cleared and settled all payments transactions in the economy, charging a usurious price for this function, and as a result forcing commerce into the grey economy. USAID's two programs supporting the Ministry of Finance and the National Bank were critical to dismantling the payments function at ZOP and removing it to a new "real time gross settlement" system created with the National Bank and a dozen commercial banks. The new system will clear payments less expensively, and therefore will reduce the cost of doing business and thus permitting smaller firms and enterprises to join the formal economy, helping to expand and strengthen private markets.</p>	
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			



169-0130 Accelerated Development and Growth of Private Enterprise	Yes		USAID is working actively under SO 169-0130 to reintegrate Serbia with the international and regional markets. Rejoining the World Trade Organization and building stronger bilateral ties with neighbouring countries will directly enhance agricultural development by securing markets for Serbian fresh and processed produce. Since launching the WTO Accession project in mid-2001, the Federal Republic of Yugoslavia has submitted its Memorandum of Foreign Trade Regime to the Geneva-based secretariat and a Working Group has been convened to oversee the membership process. Already, significant progress has been realized in drafting and ratifying agriculture-related laws and regulations that will permit Serbian goods to enter Western markets. This effort, in conjunction with others, will contribute to the development of Serbian agriculture that will support growth, job creation and prosperity.
---	-----	--	--

USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Number of children enrolled in primary schools affected by USAID basic education programs (2002 actual)	Male	Female	Total	
b. Number of children enrolled in primary schools affected by USAID basic education programs (2003 target)	Male	Female	Total	

USAID Objective 5: World's environment protected by emphasizing policies and practices ensuring environmentally sound and efficient energy use, sustainable urbanization,

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Hectares under Approved Management Plans (2002 actual)				
b. Hectares under Approved Management Plans (2003 target)				

Pillar III: Global Health

USAID Objective 1: Reducing the number of unintended pregnancies

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	%			
--	---	--	--	--

USAID Objective 2: Reducing infant and child mortality

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
Were there any confirmed cases of wild-strain polio transmission in your country?				

**USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth**

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of births attended by medically-trained personnel (DHS/RHS)	%			
--	---	--	--	--

**USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries**

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Total condom sales (2002 actual)				
b. Total condom sales (2003 target)				
National HIV Seroprevalence Rates reported annually (Source: National Sentinel Surveillance System)	%			
Number of sex partners in past year (Source: national survey/conducted every 3-5 years)per DHS or other survey)				
Median age at first sex among young men and women (age of sexual debut) ages 15-24 (Source: national survey/conducted every 3-5 years) per DHS or other survey)	Male	Female	Total	
Condom use with last non-regular partner (Source: national survey/conducted every 3-5 years)per DHS or other survey)	%			
Number of Clients provided services at STI clinics				
Number of STI clinics with USAID assistance				
Number of orphans and other vulnerable children receiving care/support				
Number of Orphans and Vulnerable Children programs with USAID assistance				

Number of community initiatives or community organizations receiving support to care for orphans and other vulnerable children				
Number of USAID-supported health facilities offering PMTCT services				
Number of women who attended PMTCT sites for a new pregnancy in the past 12 months				
Number of women with known HIV infection among those seen at PMTCT sites within the past year.				
Number of HIV-positive women attending antenatal clinics receiving a complete course of ARV therapy to prevent MTCT (UNGASS National Programme & Behavior Indicator #4)				
Number of individuals reached by community and home-based care programs in the past 12 months				
Number of USAID-assisted community and home-based care programs				
Number of clients seen at Voluntary Counseling and Testing (VCT) centers				
Number of VCT centers with USAID assistance				
Number of HIV-infected persons receiving Anti-Retroviral (ARV) treatment				
Number of USAID-assisted ARV treatment program				
a. Number of individuals treated in STI programs (2002 actual)	Male	Female	Total	
b. Number of individuals treated in STI programs (2003 target)	Male	Female	Total	
a. Is your operating unit supporting an MTCT program?				
b. Will your operating unit start an MTCT program in 2003?				
a. Number of individuals reached by community and home based care programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by community and home based care programs (2003 target)	Male	Female	Total	
a. Number of orphans and vulnerable children reached (2002 actual)	Male	Female	Total	
b. Number of orphans and vulnerable children reached (2003 target)	Male	Female	Total	

a. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by antiretroviral (ARV) treatment programs (2003 target)	Male	Female	Total	

USAID Objective 5: Reducing the threat of infectious diseases of major public health importance

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Number of insecticide impregnated bed-nets sold (Malaria) (2002 actual)				
b. Number of insecticide impregnated bed-nets sold (Malaria) (2003 target)				
a. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 actual)	%			
b. Proportion of districts implementing the DOTS Tuberculosis strategy (2003 target)	%			

Pillar III: Democracy, Conflict and Humanitarian Assistance

USAID Objective 1: Strengthen the rule of law and respect for human rights

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 2: Encourage credible and competitive political processes

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

169-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision Making	Yes		Two significant results were achieved: first, all parties engaged in the highly contentious municipal elections held in South Serbia in July-August 2002 signed and abided by a code of conduct drafted with USAID partner support that helped to bring about a largely free, fair, and peaceful process in this ethnically divided region; and second, in part due to USAID's training for democratically-oriented political parties, many of whom serve on municipal elections boards, Serbia's presidential elections of September-October 2002 were also free of significant violence and conducted in a fair manner (though ultimately unsuccessful as voter turnout did not reach the legally mandated threshold).
---	-----	--	--

USAID Objective 3: Promote the development of politically active civil society

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

169-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision Making	Yes			Serbia's long-awaited broadcast law was passed in the summer of 2002. USAID's partner IREX supported drafting and advocacy efforts that helped advance a piece of legislation judged largely positive in terms of paving the way for more transparent and fair competition for broadcast licenses. To be fully implemented, this law needs to be followed by related telecommunications legislation that will allocate frequencies.
---	-----	--	--	---

USAID Objective 4: Encourage more transparent and accountable government institutions

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 5: Mitigate conflict

Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

169-0210 Increased, Better Informed Citizens' Participation in Political and Economic Decision Making	Yes			Through CRDA (SO 169-0210), USAID was able to get different ethnic groups to work together on activities to achieve common objectives, thus beginning to build trust and tolerance between these groups. In the ethnically diverse Vojvodina Province, CRDA sponsored an ethnic food and music festival to develop an appreciation of diversity within the general population. CRDA activities in the Sanzak have helped to diffuse a volatile situation between the Serb and Muslim communities.
---	-----	--	--	---

Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

169-0410 Special Initiatives	Yes			USAID's Southern Serbia program has work to support the peace process by providing badly needed infrastructure to both the Albanian and Serb communities. The return of Albanian refugees was assisted by the Southern Serbia Program.
------------------------------	-----	--	--	--

Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total	
---	------	--------	-------	--

USAID Objective 6: Provide humanitarian relief

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Number of beneficiaries				
Crude mortality rates	%			
Child malnutrition rates	%			
Did you provide support to torture survivors this year, even as part of a larger effort?				
Number of beneficiaries (adults age 15 and over)	Male	Female	Total	
Number of beneficiaries (children under age 15)	Male	Female	Total	